APPENDIX F

Complaint No. C3A960030
Complainant's Exhibit No. 1
No. of Pages in Exhibit 11

NASD REGULATION, INC.

DISTRICT BUSINESS CONDUCT COMMITTEE

FOR DISTRICT NO. 3

In the Matter of	:
	:
District Business Conduct Committee	:
For District No. 3,	:
Complainant	: STATEMENT OF
	: COMPLAINT
vs.	:
	:
Milton R. Barnes III, Registered	: COMPLAINT
Principal	: NO. C3A960030
4437 E. Arlington Road	:
Phoenix, Arizona 85018	: DATE:
(CRD No. 1427439)	: AUGUST 2, 1996
	:
Scott R. Grady, Registered Principal	:
4700 E. Marston Drive	:
Paradise Valley, Arizona 85251	:
(CRD No. 1000078)	:
	:
Barry L. Seale, Registered Principal	:
2129 Beam Avenue	:
Maplewood, Minnesota 55109	:
(CRD No. 1416107)	:
	:

and	:
	:
John G. Kinnard and Company, Inc.,	:
Member	:
920 - 2nd Avenue South	:
Minneapolis, Minnesota 55402-2342	:
(CRD No. 466)	:
	:
Respondents	:
	:

Upon information and belief, the District Business Conduct Committee for District No. 3 alleges that:

JURISDICTION

1. During all periods relevant to the allegations of this Complaint:

(a) Respondent Milton W. Barnes III ("Barnes") was associated with NASD member John G. Kinnard and Company, Inc. ("Kinnard" or the "firm") as a registered representative and principal in the firm's Phoenix, Arizona branch office. He is presently associated with another NASD member; therefore, NASD Regulation, Inc. has jurisdiction to issue this Complaint;

(b) Respondent Scott R. Grady ("Grady") was associated with Kinnard as a registered principal and branch manager of the Phoenix branch office. As he is presently associated with another member of the NASD, NASD Regulation, Inc. has jurisdiction to issue this Complaint;

(c) Respondent Barry L. Seale ("Seale") was associated with Kinnard in a compliance position in the firm's main office in Minneapolis, Minnesota. As he is still

associated with the firm, NASD Regulation, Inc. has jurisdiction to issue this Complaint; and

(d) Respondent Kinnard was a member of the NASD and, as the firm's membership is current, NASD Regulation, Inc. has jurisdiction to issue this Complaint.

CAUSE ONE OF COMPLAINT

Excessive Trading

2. During the period from approximately November 23, 1993 through approximately August 18, 1994, respondent Barnes recommended to and effected for customers Martin and Koren Logan (the "Logans") a series of transactions in their account at Kinnard that were excessive in number given the customers' financial situation and needs, as set forth on Schedule A hereto and incorporated herein by this reference.

3. Recommending and effecting a series of transactions that are excessive in number, as described in paragraph 2 above, constitutes the following violations by Barnes:

(a) a series of recommendations without a reasonable basis for believing such recommendations to be suitable for the Logans, in violation of Conduct Rule 2310 (f/k/a Article III, Section 2 of the NASD Rules of Fair Practice ("Rules"); and

(b) conduct inconsistent with high standards of commercial honor and just and equitable principle of trade, in violation of Conduct Rule 2110 (f/k/a Article III, Section 1 of the Rules).

CAUSE TWO OF COMPLAINT

Unsuitable Recommendations

4. During the period from approximately December 14, 1993 through approximately July 15, 1994, respondent Barnes recommended and effected a series of transactions in

the Logan's account at Kinnard that were unsuitable for them in light of their financial situation and needs, in that:

(a) Barnes recommended and purchased Monterey Pasta in a series of transactions that began on or about December 14, 1993 and ended on or about February 9, 1994 that resulted in the acquisition of approximately 46,500 shares at a total cost of $633,997, which recommendations and transactions were unsuitable because the security was more speculative than was suitable for the Logans and the transactions caused the account to be excessively and unsuitably concentrated in Monterey Pasta;

(b) Barnes recommended and purchased Digital Biometrics in a series of transactions that began on or about January 24, 1994 and ended on or about March 25, 1994 that resulted in the acquisition of approximately 24,000 shares at a total cost of $306,712.80, which recommendations and transactions were unsuitable because the security was more speculative than was suitable for the Logans and the number of shares acquired was excessive in size;

(c) the recommendations that resulted in the transactions set forth on Schedule A, attached hereto and previously incorporated herein, were unsuitable because they caused a change in the nature of the investments held in that account from approximately 50% municipal securities and 50% equity securities at year-end 1993 to 0% municipal securities and 100% equity securities by month-end May 1994; and

(d) the recommendations that resulted in the transactions on Schedule A, attached hereto and previously incorporated herein, were unsuitable because they caused the Logan's margin debt to increase to an unsuitable level,

in that margin debt increased from 47% of the value of the positions in the account at year-end 1993 to 62% of the value of the positions in the account at April month-end, 65% at May month-end and 70% at June month-end.

5. Recommending and effecting transactions that were unsuitable for the Logans in view of their financial situation and needs, as described on paragraphs 4(a) through 4(d) above, constitutes a violation of Conduct Rule 2310 (f/k/a Article III, Section 2 of the Rules) by Barnes and, further, constitutes conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 (f/k/a Article III, Section 1 of the Rules) by Barnes.

CAUSE THREE OF COMPLAINT

Attempt to Settle Customer Complaint Without Firm's Authorization

6. In August 1994, acting personally by telephone on or about August 8, 1994 and acting through counsel by letter on or about August 10, 1994, respondent Barnes offered a monetary settlement to the Logans in the approximate amount of $300,00.00 as compensation for a portion of the losses incurred in their account during 1994, which offer was made without the knowledge or authorization of Kinnard.

7. Offering to compensate the Logans for losses incurred in their account without the knowledge or consent of Kinnard, as described in paragraph 6 above, constitutes conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 (f/k/a Article III, Section 1 of the Rules) by Barnes.

CAUSE FOUR OF COMPLAINT

Supervision

8. During the period from approximately January 1, 1994 through approximately July 15, 1994, respondent Kinnard, acting through respondents Grady and Seale, failed to supervise respondent Barnes in a manner reasonably designed to achieve compliance with the NASD Rules pertaining to excessive trading and suitability of recommendations, in that they permitted Barnes to engage in the conduct described above in Causes One and Two of Complaint.

9. The failure to supervise in a manner reasonabl[y] designed to achieve compliance with applicable rules, as described n paragraph 8 above, constitutes a violation of Conduct Rule 3010 (f/k/a Article III, Section 27 of the Rules) by respondents Kinnard, Grady and Seale and, further, constitutes conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Conduct Rule 2110 (f/k/a Article III, Section 1 of the Rules) by respondents Kinnard, Grady and Seale.

The foregoing is true and correct to the best of our knowledge and belief.

FOR THE DISTRICT BUSINESS
CONDUCT COMMITTEE
FOR DISTRICT NO. 3, BY
/s/

_____

FRANK J. BIRGFELD
DISTRICT DIRECTOR/
VICE PRESIDENT

Complaint No. C3A960030
Schedule A
Excessive Trading

Date	Description/Security	Shares	B/S
11/29/93	Pacific Western Bancshares	10,000	B
11/30/93	Check Withdrawal		
12/01/93	Fuel - Tech	2,000	B
12/01/93	Fuel - Tech	3,000	B
12/01/93	Intel Corp - CALL	5	B
12/10/93	Fuel - Tech	(6,100)	S
12/10/93	Pacific Western Bancshares	(7,200)	S
12/14/93	Monterey Pasta	5,000	B
12/15/93	Interest - Alameda Cnty Cal		
12/16/93	Vons Cos Inc	(25,000)	S
12/20/93	Intel Corp - CALL	10	B
12/21/93	Margin Interest (11/21 to 12/20		
12/23/93	Intel Corp - CALL	(10)	S
12/27/93	Fuel - Tech	3,000	B
12/27/93	Intel Corp	(500)	S
12/27/93	Monterey Pasta	3,000	B
12/30/93	Monterey Pasta	1,000	B

Date	Description/Security	Shares	B/S
12/30/93	Pacific Western Bancshares	1,200	B
12/31/93	Margin Debit (12/21 to 12/31)		
01/04/94	Wire		
01/06/94	Alpine Group Inc	(3,000)	S
01/06/94	Marcum Natural Gas	(2,000)	S
01/06/94	Monterey Pasta	2,000	B
01/11/94	BMC Software Inc	(500)	S
01/11/94	Infrasonics Inc	(3,000)	S
01/11/94	Monterey Pasta	6,500	B
01/12/94	Monterey Pasta	3,500	B
01/12/94	San Francisco Calif	(100,000)	S
01/14/94	Fuel - Tech	(3,000)	S
01/14/94	Monterey Pasta	5,000	B
01/14/94	Sierra Tucson Companies	(2,000)	S
01/18/94	Alameda Cnty Calif CTF	(100,000)	S
01/18/94	California State Franc	(100,000)	S
01/18/94	Local Govt Fin Auth Ca	(30,000)	S

Date	Description/Security	Shares	B/S
01/18/94	Puerto Rico Commonwealth	250,000	B
01/20/94	Fuel - Tech	(2,000)	S
01/20/94	Monterey Pasta	3,000	B
01/20/94	Check Withdrawal		
01/21/94	Alpine Group	(1,000)	S
01/21/94	BMC Software	(500)	S
01/21/94	Margin Interest		
01/24/94	Digital Biometrics Inc	5,000	B
01/24/94	Local Govt Fin Auth Ca	(25,000)	S
01/25/94	Digital Biometrics Inc	3,000	B
01/26/94	Alpine Group Inc	(1,000)	S
01/26/94	Marcum Natural Gas	(1,000)	S
01/26/94	Monterey Pasta	3,000	B
01/26/94	Pacific Western Bancshares	(2,000)	S
01/27/94	Infrasonics Inc	(2,000)	S
01/27/94	Sierra Tucson Companies	(1,000)	S
02/01/94	Wire		
02/02/94	Monterey Pasta	4,000	B

Date	Description/Security	Shares	B/S
02/02/94	Pacific Western Bancshares	(2,000)	S
02/02/94	Sierra Tucson Companies	(1,200)	S
02/02/94	Tokos Medical Corp	(2,000)	S
02/04/94	US Bancorp - CALL - (Apr 30)	20	B
02/04/94	US Bancorp - CALL - (Apr 25)	20	B
02/04/94	Monterey Pasta	4,000	B
02/08/94	US Bancorp - CALL - (Apr 25)	(20)	S
02/08/94	Monterey Pasta	4,500	B
02/09/94	Fuel - Tech	(2,000)	S
02/09/94	Monterey Pasta	2,000	B
02/10/94	Fuel - Tech	(2,000)	S
02/10/94	Amfed Financial Inc	3,000	B
02/10/94	US Bancorp - CALL - (Apr 30)	(20)	S
02/11/94	Wire Funds to Great Western Savings		
02/11/94	Wire Fee		
02/18/94	Amfed Financial Inc	2,000	B
02/18/94	Monterey Pasta	(3,000)	S

Date	Description/Security	Shares	B/S
02/22/94	Monterey Pasta	(2,000)	S
02/22/94	Margin Interest		
02/23/94	Digital Biometrics Inc	3,000	B
02/23/94	Monterey Pasta	(3,000)	S
02/24/94	Amfed Financial Inc	2,000	B
02/24/94	Monterey Pasta	(2,000)	S
02/25/94	Digital Biometrics Inc	6,000	B
02/25/94	Monterey Pasta	(4,500)	S
03/02/94	Wire Funds to Great Western Savings		
03/02/94	Wire Fee		
03/04/94	Monterey Pasta	2,000	B
03/08/94	Monterey Pasta	(2,000)	S
03/17/94	Monterey Pasta	1,500	B
03/21/94	Margin Interest		
03/22/94	Monterey Pasta	(4,500)	S
03/23/94	Amfed Financial Inc	4,000	B
03/23/94	Digital Biometrics Inc	6,000	B
03/23/94	Monterey Pasta	(1,000)	S
03/23/94	Monterey Pasta	(5,000)	S
03/23/94	WTD Industries Inc	2,000	B

Date	Description/Security	Shares	B/S
03/24/94	Monterey Pasta	(2,500)	S
03/25/94	Amfed Financial Inc	7,000	B
03/25/94	Telefonos Mex - CALL (Apr)	10	B
03/25/94	Telefonos Mex - CALL (Apr)	10	B
03/25/94	Digital Biometrics Inc	1,000	B
03/25/94	Monterey Pasta	(9,500)	S
03/25/94	Puerto Rico Commonwealth	(100,000)	S
03/25/94	WTD Industries Inc	2,500	B
03/28/94	Telefonos Mex - CALL (Apr 60)	(20)	S
03/29/94	WTD Industries Inc	10,000	B
03/31/94	WTD Industries Inc	(5,000)	S
04/04/94	WTD Industries Inc	5,000	B
04/04/94	Wire Funds to Great Western Savings		
04/04/94	Wire Fee		
04/06/94	Amfed Financial Inc	(1,000)	S
04/07/94	Amfed Financial Inc	(3,000)	S
04/21/94	Margin Interest		

Date	Description/Security	Shares	B/S
04/26/94	Amfed Financial Inc	(2,000)	S
04/27/94	Amfed Financial Inc	(2,000)	S
04/27/94	Digital Biometrics Inc	(2,000)	S
04/29/94	Dividend - Amfed Financial Inc		
04/29/94	Wire Funds to Great Western Savings		
05/12/94	Puerto Rico Commonwealth	(100,000)	S
05/17/94	WTD Industries Inc	(10,000)	S
05/19/94	Puerto Rico Commonwealth	(50,000)	S
05/23/94	Margin Interest		
05/26/94	Amfed Financial Inc	(5,000)	S
05/26/94	Digital Biometrics Inc	(5,000)	S
05/26/94	Monterey Pasta	16,500	B
05/27/94	Amfed Financial Inc	(3,000)	S
05/27/94	Monterey Pasta	4,000	B
05/27/94	Wire Funds to Great Western Savings		
05/27/94	Wire Fee		

Date	Description/Security	Shares	B/S
05/31/94	Monterey Pasta	(3,000)	S
06/01/94	WTD Industries Inc	(4,500)	S
06/08/94	Amfed Financial Inc	(2,000)	S
06/17/94	Digital Biometrics Inc	(17,000)	S
06/21/94	Margin Interest		
06/23/94	Monterey Pasta	3,000	B
06/24/94	Employee Solutions	7,000	B
07/01/94	Wire Funds to Great Western Savings		
07/01/94	Wire Fee		
07/01/94	Employee Solutions Inc	(4,000)	S
07/06/94	Employee Solutions Inc	(3,000)	S
07/07/94	Monterey Pasta	(6,500)	S
07/08/94	Monterey Pasta	(1,000)	S
07/18/94	Monterey Pasta	(1,000)	S
07/19/94	Monterey Pasta	(2,000)	S
07/21/94	Margin Interest		
07/22/94	Monterey Pasta	(1,000)	S

I, the undersigned Cindy A. Vigil, hereby certify that on August 2, 1996 I have caused a copy of the Notice of Complaint in Complaint No. C3A960030 to be placed in the United States mail, Certified and First Class postage prepaid, addressed to the following persons:

Milton R. Barnes III
4437 E. Arlington Road
Phoenix, AZ 85018

Scott R. Grady
4700 E. Marston Drive
Paradise Valley, AZ 85251

Barry L. Seale
2129 Beam Avenue
Maplewood, Minnesota 55109

John G. Kinnard and Company, Inc.
920 2nd Ave. South
Minneapolis, Minnesota 55402-2342

/s/

Cindy A. Vigil